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GOLDMARK MINERALS LTD.

2001 ANNUAL REPORT

GOLDMARK MINERALS LTD.

TO THE SHAREHOLDERS

The following is a review of the financial and operational results for Goldmark Minerals Ltd. for the year 2001.

Financial

Revenue for the year totalled \$12,918 compared with \$2,793 for the prior year. In 2001, total expenses were reduced to \$41,934 from \$151,537 reported in 2000.

During 2001, Goldmark reassessed the amounts of certain liability estimates and recorded a reduction of mining and overhead expenses totalling \$30,347. In addition, depletion and depreciation expenses were reduced by \$69,109. The loss for the year was reduced to \$29,016 from \$148,744 for the prior year. At December 31, 2001, Goldmark had a working capital deficiency of \$126,132, principally related to advances from related parties.

Exploration and Development

Goldmark's exploration and development activity for 2001 was not successful. The Company failed to produce sufficient gold to pay its mining and overhead costs and has not yet identified an ore body which can be profitably mined.

In an attempt to determine why the gold recovery fell far short of the drill-predicted results, bulk samples of bedrock material from below the base of the overlying stream gravels were sluiced at three sites during the 2001 summer season. At each location, at least one pocket of gold-bearing stream gravels was located beneath a thin layer of decomposed bedrock material that had, apparently, washed downstream to completely mask the pockets. Subsequent to the placement of the "false bedrock" over these lows, a thick layer of gold-poor gravels was dumped on top by a fading meltwater flood.

In June of 2002, additional drilling is planned for an undisturbed area in an attempt to locate gold-rich pockets which would lead to a profitable mine.

Business Plan and Outlook

Goldmark has been placed on the inactive status of the TSX Venture Exchange for failure to meet the maintenance requirements for the Exchange, including a working capital shortfall and a lack of exploration activities. The Company must provide the Exchange with a plan to will meet listing maintenance requirements before the end of November 2002 or the Company's shares will be delisted.

The Plan

Subsequent to year end, a director of Goldmark exercised certain options and warrants in order to provide the Company with \$21,000 of working capital. Certain insiders of Goldmark have agreed to forgo immediate repayment of amounts due to them in order to allow the Company to operate for

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the current period.

The Company plans to attempt to sell certain assets not required in its operation and thereby raise additional working capital to cover overhead and mining operations.

As soon as weather permits, Goldmark plans to conduct exploration follow-up on the leads discovered in 2001. If successful, the Company will conduct mining activities on the areas most likely to provide immediate cash flow.

Concurrent with this activity, the board of directors plans to search for an alternative course of action which will allow Goldmark to meet listing requirements and continue to be listed on the Exchange.

On behalf of the Board,

(Signed) "*D. Harvey Bickell*"

President

May 10, 2002

AUDITORS' REPORT

**To the Shareholders of
Goldmark Minerals Ltd.**

We have audited the consolidated balance sheet of **Goldmark Minerals Ltd.** as at December 31, 2001 and 2000 and the consolidated statement of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

**(Signed) KPMG LLP
Chartered Accountants**

Calgary, Canada
April 25, 2002

GOLDMARK MINERALS LTD.**Consolidated Balance Sheet**

As at December 31	2001	2000
ASSETS		
Current Assets		
Cash	\$ 1,087	\$ 18,141
Accounts receivable and prepaid expenses	15,443	7,938
	16,530	26,079
Mining properties and equipment (note 3)	119,678	147,853
	\$ 136,208	\$ 173,932
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 142,662	\$ 151,831
Provision for future site restoration	7,955	7,494
	150,617	159,325
Shareholders' Equity		
Capital stock (note 4)	1,384,545	1,384,545
Deficit	(1,398,954)	(1,369,938)
	(14,409)	14,607
Going Concern (note 2)	\$ 136,208	\$ 173,932

See accompanying notes to consolidated financial statements.

Approved by the Board:

(Signed) "R.W. Lamond" Director (Signed) "C.A. Teare" Director

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Consolidated Statement of Operations and Deficit

Years Ended December 31	2001	2000
Revenue		
Gold production	\$ 6,416	\$ 1,869
Equipment rental and other	6,502	620
Interest	—	304
	12,918	2,793
Expenses		
Mining expense (recovery) (note 9)	(5,329)	17,735
General and administrative	22,708	35,417
Depletion and depreciation	24,555	93,664
Loss on sale of asset	—	4,721
	41,934	151,537
Loss for the year	(29,016)	(148,744)
Deficit, beginning of year	(1,369,938)	(1,221,194)
Deficit, end of year	\$ (1,398,954)	\$ (1,369,938)
Loss per share:		
Basic	\$ (0.00)	\$ (0.02)
Diluted	\$ (0.00)	\$ (0.02)

See accompanying notes to consolidated financial statements.

GOLDMARK MINERALS LTD.**Consolidated Statement of Cash Flows**

Years Ended December 31	2001	2000
Cash provided by (used in):		
Operations		
Loss for the year	\$ (29,016)	\$ (148,744)
Non-cash items		
Depletion and depreciation	24,555	93,664
Mining expense recovery	(24,941)	—
Interest expense	7,871	5,963
General and administrative recovery	(5,406)	—
Loss on sale of assets	—	4,721
Cash used in operations	(26,937)	(44,396)
Change in non-cash working capital	9,883	17,595
	(17,054)	(26,801)
Financing Activities		
Issue of common shares for cash	—	25,000
	—	25,000
Investment Activities		
Addition to mining property	—	(7,620)
Sale of assets	—	6,000
	—	(1,620)
Decrease in cash	(17,054)	(3,421)
Cash, beginning of year	18,141	21,562
Cash, end of year	\$ 1,087	\$ 18,141
Cash flow from operations, per share:		
Basic	\$ (0.00)	\$ (0.01)
Diluted	\$ (0.00)	\$ (0.01)
Supplementary information regarding cash payments:		
Interest paid during the year	\$ —	\$ —
Taxes paid during the year	\$ —	\$ —

Notes to the Consolidated Financial Statements Years Ended December 31, 2001 and 2000

1. Summary of Significant Accounting Policies

(a) *Basis of presentation*

These consolidated financial statements include the accounts of Goldmark Minerals Ltd. and its wholly-owned subsidiary, Goldmark Minerals, Alaska, Inc.

(b) *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) *Mining properties expenditures*

The Company records interests in mineral claims and properties at cost. Such costs, including acquisition, exploration and direct administration, are capitalized as separate areas of interest. When a property is brought into production, the costs are amortized using the unit-of-production method based on estimated reserves. If a property is abandoned, capitalized costs are charged to operations in the year of abandonment.

(d) *Equipment*

Mining and other equipment are stated at cost. Depreciation is provided on a declining balance basis at rates ranging from 10% to 25%.

(e) *Foreign currency translation*

U.S. dollar denominated transactions and balances are translated into Canadian dollars as follows:

- (i) monetary assets and monetary liabilities at the year end exchange rates.
- (ii) non-monetary assets at the exchange rate prevailing at the date of the transaction.
- (iii) revenue and expenses at the average rate of exchange during the period, except for depreciation which is on the same basis at the related asset.

Gains or losses on translation are credited or charged to operations.

(f) *Provision for site restoration*

The Company records a liability for the estimated future costs of reclaiming land which has been disturbed in the mining process. The estimate is based on the reclamation which will be required by the agency responsible for granting the mining permits. Operating costs for the period include the changes in the provision for site restoration during the period.

(g) *Income taxes*

The Company follows the liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements and their respective tax bases, using enacted income tax rates. The effect of a change in tax rates on future income tax liabilities and assets is recognized in earnings in the period that the change occurs.

(h) *Per share amounts*

Basic loss per common share and cash flow from operations per common share are computed by dividing earnings and cash flow from operations by the weighted average number of common shares outstanding for the year. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares, if dilutive. The number of additional shares is calculated by assuming that outstanding "in the money" stock options and purchase warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting period.

(i) *Share based compensation plan*

The Company has a stock based compensation plan which is described in Note 4.

No compensation expense is recognized for this plan when the stock options are issued to employees. Any consideration paid by employees on exercise of stock options is credited to share capital.

(j) *Cash and cash equivalents*

The Company considers cash on hand, balances with banks and highly liquid market instruments with original maturities of three months or less as cash or cash equivalents.

2. *Going Concern*

At December 31, 2001, the Company had a working capital deficiency and a shareholders' deficiency. The working capital deficiency includes approximately \$100,000 due to related officers and companies. The future of the Company is dependent upon the actions of the related companies and the Company's ability to sell properties and equipment or to raise additional equity financing to fund its existing obligations and operations. The financial statements are prepared on the basis that the Company will continue to operate throughout its next fiscal year as a going concern. A failure to continue as a going concern would then require that stated amounts of assets and liabilities be reflected on a liquidation basis which would differ from the going concern basis.

3. *Mining Properties and Equipment*

The Company has interests in mineral claims on properties at Walker Fork, Alaska and certain minor mining properties in Canada where it is conducting exploration activities.

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These properties contain no known reserves.

2001	Cost	Accumulated depreciation and depletion	Write-down of mining expenditures	Net book value
Deferred expenditures				
Canada	\$ 79,530	\$ 79,527	\$ —	\$ 3
United States	126,718	115,618	—	11,100
Mining equipment				
Canada	326,929	325,168	—	1,761
United States	273,793	178,694	—	95,099
Other				
Canada	35,000	23,285	—	11,715
	\$ 841,970	\$ 722,292	\$ —	\$ 119,678

2000	Cost	Accumulated depreciation and depletion	Write-down of mining expenditures	Net book value
Deferred expenditures				
Canada	\$ 79,530	\$ 18,282	\$ 61,245	\$ 3
United States	126,718	115,618	—	11,100
Mining equipment				
Canada	326,929	324,598	—	2,331
United States	277,413	154,788	—	122,625
Other				
Canada	35,000	23,206	—	11,794
	\$ 845,590	\$ 636,492	\$ 61,245	\$ 147,853

The ultimate recovery of the deferred expenditures is dependent on discovery of commercially viable reserves.

4. Capital Stock

Authorized

The authorized capital stock consists of:

- 10,000,000 First preference shares with a par value of \$10 each, issuable in series
- 10,000,000 Second preference shares with a par value of \$10 each, issuable in series
- 30,000,000 Common shares without nominal or par value

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Issued

Common shares outstanding were as follows:

	Number of shares	Amount
Balance, December 31, 1999	7,651,424	\$ 1,359,545
Issued for cash	250,000	25,000
Balance, December 31, 2000 and 2001	7,901,424	\$ 1,384,545

Private placement

In connection with the private placement of 250,000 common shares, the Company issued purchase warrants entitling the holder to purchase up to 250,000 common shares at a price of \$0.12 per share prior to April 26, 2001 and at a price of \$0.15 per share thereafter to May 26, 2002.

Reserved shares

The Company has reserved 250,000 shares for issuance upon the exercise of share purchase warrants and 675,000 shares for issuance upon the exercise of employee and director options.

Share based compensation plan

The Company uses options to compensate employees and directors. The Company may grant to employees and directors options to purchase up to 10% of its shares outstanding at the time of the grant. Options are exercisable for a maximum period of 5 years. One third of the options granted vest on the day of the grant, one third vest after one year and the balance vest after two years. The exercise price for the options is set by the board of directors at market, or higher, on the date of the grant.

A summary of the changes in options outstanding during 2001 and 2000 is as follows:

	2001		2000	
	Shares	Weighted-average price	Shares	Weighted-average price
Fixed Options				
Outstanding, beginning of year	675,000	\$0.10	—	\$0.00
Granted	—	—	675,000	\$0.10
Outstanding, end of year	675,000	\$0.10	675,000	\$0.10
Options exercisable, end of year	450,000	\$0.10	225,000	\$0.10

Per share data

The loss per common share and cash flow from operations per common share are based on the weighted average common shares outstanding for the year. The weighted average number of common shares issued and outstanding for the year ended December 31, 2001 was 7,901,424 (2000 - 7,823,555).

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No adjustments were required to the weighted average number of shares, reported loss or cash used in operations in computing diluted per share amounts.

5. Income Taxes

The provision for income taxes varies from the amount that would be computed by applying the expected tax rate to the respective year's loss. The principal reasons for differences between such "expected" income tax recovery and the amount actually recorded are as follows:

	2001	2000
Tax rate	42.6%	44.5%
Computed expected income tax recovery	\$ 12,400	\$ 66,200
Rate reduction	(40,700)	
Change in valuation allowance	28,300	(66,200)
Actual income tax recovery	\$ —	\$ —

The components of the unrecognized future tax asset is comprised of temporary differences and future income tax reduction as follows:

	2001	2000
Tax pools in excess of net book value:		
Canada	\$ 876,000	\$ 907,000
United States	264,000	234,000
Future site restoration	3,000	3,000
Total future tax asset	1,143,000	1,144,000
Valuation allowance	(1,143,000)	(1,144,000)
Future tax asset	\$ —	\$ —

The Company has available, subject to confirmation by tax authorities, an estimated \$2.7 million of income tax pools and other deductions that may be deducted in determining taxable income of future years. The potential tax benefit relating to these amounts is not recognized in the financial statements.

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6. Segmented Information

The Company's only industry segment is the exploration for and the development and production of precious minerals.

	2001	2000
Revenues		
Canada	\$ —	\$ 924
United States	12,918	1,869
	\$ 12,918	\$ 2,793
Loss for the year		
Canada	\$ (7,799)	\$ (100,301)
United States	(21,217)	(48,443)
	\$ (29,016)	\$ (148,744)
Identifiable assets		
Canada	\$ 16,841	\$ 31,990
United States	119,367	141,942
	\$ 136,208	\$ 173,932

7. Fair Value of Financial Assets and Liabilities

The fair value of cash, accounts receivable, prepaid expense, accounts payable and accrued liabilities approximate their carrying amounts.

8. Related Party Transactions

In 2000, Goldmark incurred expenses of \$6,000 payable to a company controlled by a director for the administration of its Calgary office. The 2000 expenditures of \$6,000 have been paid.

Included in accounts payable at December 31, 2001 are advances by an officer and companies controlled by a director amounting to \$105,553 (2000 - \$61,576). Interest of \$7,871 was charged but not paid on these advances during 2001 (2000 - \$5,963).

Included in accounts receivable is \$6,416 (2000 - nil) relating to the sale of gold to an officer and director of the Company.

9. Reassessment of Previously Recorded Liabilities

In 2001 the Company reassessed its estimates of certain liabilities, which had been recorded in prior periods. Based on the Company's view that the previously recorded amounts were not owed and would not be pursued by the creditor, the Company reduced its liabilities by \$33,967, mining expenses by \$24,941, general and administrative expenses by \$5,406 and fixed assets by \$3,620.

CORPORATE INFORMATION

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¹ Member of the Audit Committee

LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP
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OFFICERS

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President and CEO

Charles A. Teare
Treasurer and CFO

C.S. Cohen
Corporate Secretary

AUDITORS

KPMG LLP
Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

Computershare Investor Services
Vancouver, British Columbia
Calgary, Alberta

STOCK EXCHANGE LISTING

TSX Venture Exchange
Trading Symbol: GMK

ANNUAL MEETING

The Annual and General Meeting of the Shareholders of Goldmark Minerals Ltd. is to be held at 3:00 p.m., Thursday, June 27, 2002, in the offices of the Corporation, Suite 1800, 633 - 6th Avenue S.W., Calgary, Alberta.